Office of the Assistant Secretary of the Navy
(Financial Management and Comptroller)

Department of the Navy

Financial Improvement Plan (DON FIP)

DON FIP Status Update

3 November 2004

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FMO DON FIP Team Lead

GF Investments, Other Liabilities, Environmental Liabilities

Navy General Fund

	ALL EXCEPT NON-DERP	NON-DERP
Assertion Target	Upon Completion of Validation	TBD
Lead Org (s)	FMO	NAVFAC
FMO POC	Gilbert Gardner, 202-685-6727	Warren Pfeiffer, 202-685-6730

Issues

* Estimating Non-DERP Liability represents a major deficiency in DON's plan to achieve an unqualified audit opinion.

Actions Taken

* Documentation of Associated Processes, Systems, and Controls
  - Documentation of the above line items was performed by FMO in cooperation with AAUSN, USNA, USMC, DFAS, NAVFAC, NAVSEA, and SSP.
* Validation
  - Investment binder has been reviewed by NAVAUDSVC and forwarded to DoDIG as ready for audit. (First formal assertion in the OSD process).
  - NAVAUDSVC is currently reviewing Other Liabilities and Environmental Liabilities packages.

Fund Balance with Treasury

Navy General Fund		Navy Working Capital Fund	
Assertion Target	9/30/05	Assertion Target	09/30/05
Lead Org (s)	DFAS-CL & DFAS-KC	Lead Org(s)	DFAS-CL & DFAS-KC
FMO POC	Vicki Rach, 303 685-6721	FMO POC	Phillip Graham, 303 685

Issues

* Items posted to suspense accounts distort balances
* Items posted to deposits in transit distort balances
* Check issue discrepancies are too high for the over 60 day timeframe
* Problem disbursements affect the accuracy of accounting report
* Undistributed disbursements and collections affect the accuracy of accounting reports
* Reconciliation process (Navy to DFAS and DFAS to Treasury) has some unsettled cash issues to address
* Problem disbursements affect the accuracy of the accounting reports
* Undistributed disbursements and collections affect the accuracy of accounting reports
* Cash is not distributed to the activity level

Fund Balance with Treasury

Actions Taken

* DFAS-CL has developed a comprehensive FBWT plan.
* Working with DFAS to continue to reduce problem disbursements.
* Development of the Undistributed Tracking Process (UTP).

Command Roles and Actions

* Work with DFAS Cleveland in analysis of undistributed and unsupported balances as required.
* Reduce and prevent undistributed and unsupported disbursements and collections.
* Initiate action to resolve cash discrepancies.
* Implement Problem Disbursement inflow reduction measures.
* Comply with Problem Disbursement FY 05 Reduction Goals.
* Identify and implement business practice improvements.

Command Roles and Actions

* Work with DFAS Cleveland in analysis of undistributed and unsupported balances as required.
* Reduce and prevent undistributed and unsupported disbursements and collections.
* Initiate action to resolve cash discrepancies.
* Implement Problem Disbursement inflow reduction measures.
* Comply with Problem Disbursement FY 05 Reduction Goals.
* Identify and implement business practice improvements.

Accounts Receivable (AR)

Navy General Fund

Assertion Target	09/30/2005
Lead Org (s)	DFAS Cleveland, DFAS Kansas City, Major Commands, HQMC

Navy Working Capital Fund

Assertion Target	09/30/2005
Lead Org(s)	DFAS Cleveland, DFAS Kansas City, Major Commands, HQMC

Issues

* Employee debt not accounted for properly.
* Receivables for refunds and claims for contract overpayments may not not accounted for properly.
* AR total not adjusted for estimated uncollectible amounts.
* AR total includes balances that are overaged.
* Accuracy of reported AR balance is unsupported.

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* AR balances are not complete for employee debt.
* Receivables for refunds and claims for contract overpayments may not be accounted for properly.
* AR total not adjusted for estimated uncollectible amounts.
* AR total includes balances that are overaged.
* Residual accounting continues for closed/BRAC activities.

Actions Taken

* Established as Navy-wide goal that Accounts Receivable be collected (or if necessary written-off or closed out) within one year of origination.
  - Proposed new guidance from OUSD(C) directs that DFAS must coordinate write-offs with DON Major Commands
* Designed an Accounts Receivable Aging report (General Fund) for use by DON Major Commands providing detailed accounting information.
* Developing approach for write-off of receivables in STARS-HCM.
* Researching methodology to populate an allowance account for doubtful debt.
* Participating in the Intragovernmental Transaction System (IGTS) Working Group on the elimination methodology.

Command Roles and Actions

* Commands continue to work with DFAS to reduce overaged Intragovernmental Accounts Receivable to less than one year.
* Commands continue to work with DFAS to write off uncollectible balances.
* Begin preparation of validation packages.
* Implement IGTS requirements as necessary and applicable.

Inventory, Operating Materials & Supplies (I, OM&S)

Navy General Fund (OM&S)

Assertion Target	FY 2007
Lead Org (s)	NAVSUP, FMO, Selected Commands
FMO POC	Beverly Veit, 202-685-6718

Navy Working Capital Fund (Inventory)

Assertion Target	FY 2007
Lead Org(s)	NAVSUP, FMO, Marine Corps
FMO POC	Beverly Veit, 202-685-6718

Issues

- Existence and Completeness of all items uncertain.
- Systems Strategy for Integration with Acquisition and Supply Systems needs to be defined.
- Moving Average Cost (MAC) not uniformly applied.
- Baseline Valuation / Historical Cost calculations needed.
- In-Transit Items not being fully tracked and accounted for.
- Repair Items not being fully tracked and accounted for.

- Systems Strategy for Integration with Acquisition and Supply Systems needs to be defined.
- Moving Average Cost (MAC) not uniformly applied.
- Baseline Valuation / Historical Cost calculations needed.
- In-Transit Items not being fully tracked and accounted for.
- Repair Items not being fully tracked and accounted for.

Inventory, Operating Materials & Supplies (I, OM&S)

Actions Taken

* Creation of DON-wide I, OM&S working group to address all deficiencies.
* Coordinating DON activities with the DoD I, OM&S initiative.
* Implementation of Navy Converged ERP.

Command Roles and Actions

* Each Command must update the FIP, addressing known deficiencies.
* Each Command must contribute to the DON-wide I, OM&S working group, implementing corrective actions as identified to address know deficiencies.

Navy General Fund

Assertion Target	FY 2007
Lead Org (s)	FMO, Selected Commands
FMO POC	Beverly Veit, 202-685-6718

Issues

* Known Deficiencies:
  - Baseline Valuation / Historical Cost calculations needed.
  - Universe of items must be identified.
  - System to manage data must be developed.
  - Contracting systems must be modified to support collection of data at level required to calculate depreciation at unit level.
  - Electronic Receipt and Acceptance systems not in place.

Military Equipment

Actions Taken

* Coordinating DON activities with the DoD Military Equipment Initiative to address all deficiencies.
* Development and Configuration of the Capital Asset Management System (CAMS) for Military Equipment is underway.

Command Roles and Actions

* Continue to support the development of baseline valuations.

Accounts Payable

Navy General Fund	
Assertion Target	12/31/2005
Lead Org (s)	FMO
FMO POC	Phillip Graham, 202 685

Navy Working Capital Fund	
Assertion Target	09/30/2005
Lead Org(s)	FMO
FMO POC	Phillip Graham, 202 685

Issues

* All business events that should result in A/P for the purchase of a good or service, and for the transportation of persons and things may not be recorded correctly.
* Accruals are not recorded properly in SABRS.
* A/P not recorded for all supplies and materials transactions.
* A/P not recorded for all contractual goods and services transactions.
* Buyer-side trading partner information is not currently being captured and reported.
* A/P not recorded for rent, communications, and utilities (RWOs).
* The A/P value reported includes over-aged balances.

Actions Taken

* Distributed DON-wide business Guidelines for properly recognizing A/P:

* Working with key stakeholders to create an electronic data interchange between Defense systems and the official accounting system to automate A/P recognition for select types of business transactions:

System	Transaction
Defense Travel System	Travel and Transportation of Persons
PowerTrack	Transportation of Things
Defense Automated Addressing System	MILSTRIP Supplies and Materials
Wide Area Workflow	Other Contractual Goods and Services

* Conducting workshops with DON activities to address and resolve common issues in recognizing A/P and develop practical solutions. Three workshops are in the pipeline:

Reimbursable Work Orders	October 2004
MILSTRIP	November 2004 (tentative date)
Vendor Pay	December 2004 (tentative date)

Command Roles and Actions

* By the end of FY 2005, GF commands begin recording A/P transactions in a timely fashion, either manually or through an automated solution.
* Develop a plan of action for successfully recognizing A/P transactions and measuring progress:
  - Document A/P processes.
  - Identify and justify resource requirements.
  - Submit plans no later than 3 December 2004
* Support A/P working groups.